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Delta Re settlement is \$6.6 million

FRANKFORT, Ky. — Commissioner George Nichols III, Kentucky Department of Insurance, has announced that litigation against certain of Delta America Re Insurance Co.'s former managers, officers and directors has been settled. Franklin Circuit Court Judge William L. Graham approved a settlement agreement on Monday, April 17, that calls for \$6.6 million to be paid to the Delta Re estate.

Delta Re, a Kentucky property and casualty insurer with administrative offices in New York City, was declared insolvent and placed in liquidation by order of the Franklin Circuit Court in September 1985. This action followed a Department of Insurance investigation into the company's financial condition.

DOI has the responsibility of determining whether or not each insurance company and health maintenance organization doing business in Kentucky is financially sound and statutorily solvent. If a company is in serious financial difficulty, DOI can petition the court to take over the company's operation and either rehabilitate the company (reorganizing the company's structure) or, if rehabilitation is not possible, proceed with liquidation.

In Delta Re's case in 1985, the DOI commissioner was appointed as liquidator of the company with the responsibility of winding up the affairs of the company, including marshaling the assets of the estate and distributing them to the estate's creditors.

As part of the liquidation process, the liquidator commenced civil actions against Delta Re's former owner and former management alleging mismanagement, among other things. The consolidated cases, George Nichols III v. American Risk Management, Inc. and George Nichols III v. National Distillers and Chemical Corporation, are pending before the U.S. District Court for the Southern District of New York. -- more --

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Delta Re, formerly known as Elkhorn Re Insurance Co. and Elkhorn Insurance Co., was incorporated as a Kentucky insurance company in 1965 to insure and reinsure the risks of its parent, National Distillers and Chemical Corp., since known as Quantum Chemical Corp. and currently known as Millennium Petrochemicals, Inc. Reinsurance is a form of coverage that insurance companies obtain for their own protection.

In the early 1970s, Delta Re began assuming risks from other insurance and reinsurance companies. In late 1983, National Distillers sold Delta Re (then known as Elkhorn Re Insurance Co.) to Delta Holdings, Inc., a company owned by several Fortune 500 companies and transferred National Distillers' captive risks from Delta Re to another insurance company subsidiary.

The agreement approved by Judge Graham on April 17 settles claims against companies and individuals that managed Delta Re after its sale to Delta Holdings in 1983, including American Risk Management Inc., an Ohio corporation, later known as RRC of Ohio Inc. American Risk Management was a subsidiary of the Reiss Organization specializing in managing the captive business of insurers and reinsurers. The settlement will become final upon dismissal of these defendants by the New York federal court.

The liquidator's claims against National Distillers, certain of its officers and directors, and Sperry Insurance Co., Ltd., remain ongoing in the New York court.

The proceeds of the recent settlement will be included as assets of the estate to be distributed to Delta Re's creditors, about 650 U.S. and international insurance and reinsurance companies from whom Delta Re assumed property and casualty insurance risks. Delta Re has no individual or direct policyholders.

In 1997, the Franklin Circuit Court approved an initial dividend rate of 70 percent, which allows the creditors to receive initial dividends equal to 70 percent of their approved claims, subject to deductions for any balances owed to Delta Re's estate. To date, initial dividends have been paid on about \$250 million in approved claims.